

ORIGINAL

CGB-CC-1333

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

Accepted/Filed

MAR 24 2014

FCC Office of the Secretary

In the matter of)
WSBS LICENSING, INC.)
)
WSBS-DT, Facility ID No. 72053)
Key West, Florida)
)
WSBS-CD, Facility ID No. 29547)
Miami, et al., Florida)
)
KTBU LICENSING, INC.)
)
KTBU(DT), Facility ID No. 28324)
Conroe, Texas)
)
MEGA MEDIA HOLDINGS, INC.)
)
MEGA TV Network)
)
Petition for Exemption of)
Closed Captioning Requirement)
To: The Commission)

CG Docket No. 06-181

**PETITION FOR EXEMPTION OF
CLOSED CAPTIONING REQUIREMENT**

WSBS Licensing, Inc. ("*WSBS Licensing*"), KTBU Licensing, Inc. ("*KTBU Licensing*"), and Mega Media Holdings, Inc. ("*MMHT*" and together with WSBS Licensing and KTBU Licensing, "*SBS*"), by their attorneys and pursuant to Sections 79.1(f) and 1.65 of the Commission's Rules, respectfully submit this Petition for Exemption of Closed Captioning Requirement (the "*Petition*"). As demonstrated herein, grant of the Petition is warranted, because compliance with the closed captioning requirement would result in significant difficulty and expense for SBS, thus satisfying the Commission's "economically burdensome" standard, and would likely result in the closure of SBS's television operating segment.

No. of Copies rec'd
List ABCDE

0+1

I. Background.

WSBS Licensing, a wholly-owned, indirect subsidiary of SBS, is the licensee of two broadcast television stations in the Miami – Fort Lauderdale, Florida DMA: WSBS-DT, Key West and WSBS-CD, Miami, et al. (together, “*WSBS-TV*”). KTBU Licensing, a wholly-owned, indirect subsidiary of SBS, is the licensee of a broadcast television station in the Houston, Texas DMA: KTBU(DT), Conroe, Texas (“*KTBU*”). MEGA TV, owned by MMHI (a wholly-owned, direct subsidiary of SBS), is a programming network transmitted on WSBS-TV and KTBU, and also provides programming to several television stations not owned by SBS through affiliation agreements. MEGA TV is also distributed by several multichannel video programming distributors (“*MVPDs*”) such as Verizon FIOS, DirecTV and AT&T’s U-Verse service.¹ SBS hereby requests an exemption of closed captioning requirements for all non-captioned programming distributed by the MegaTV network.²

II. SBS is Entitled to an Exemption Under the “Economically Burdensome” Standard.

Petitions seeking an exemption from the requirement to close caption video programming are evaluated under the “economically burdensome” standard, as defined by the following criteria:

¹ Copies of the programming grids for WSBS-TV, KTBU, Puerto Rico feed and the national affiliate feed are submitted as Exhibit A.

² WSBS Licensing previously filed a Petition for Exemption of Closed Captioning Requirement on August 8, 2008 (the “*Initial Petition*”) which was opposed by a standardized letter objection filed on behalf of Telecommunications for the Deaf and Hard of Hearing, Inc.; National Association of the Deaf; Deaf and Hard of Hearing Consumer Advocacy Network; Hearing Loss Association of America; Association of Late-Deafened Adults, Inc.; American Association of People with Disabilities; and California Coalition of Agencies Serving the Deaf and Hard of Hearing. On February 9, 2009, WSBS Licensing filed a Reply to Opposition to Petition for Exemption. On March 28, 2012, WSBS Licensing filed a Supplement to Petition for Exemption of Closed Captioning Requirement in order to provide updated information as a result of the *Anglers for Christ Ministries, Inc.* decision. On July 5, 2012, SBS filed a Further Supplement and Amendment in order to provide clarity concerning the operations of WSBS-TV, KTBU and MegaTV and to request that the original Petition be amended to cover all three entities. In addition, on October 28, 2013, SBS filed a Response to Request for Supplemental Information which was submitted in response to a request from the Consumer and Governmental Affairs Bureau (the “*Bureau*”). On February 11, 2014, Bureau dismissed the Initial Petition without prejudice.

- (1) the nature and cost of the closed captions for the programming;
- (2) the impact on the operation of the provider or program owner;
- (3) the financial resources of the provider or program owner; and
- (4) the type of operations of the provider or program owner.³

As the following information plainly demonstrates, requiring SBS to close caption its programming would result in a “significant difficulty or expense”⁴ to SBS. Thus, an exemption from the closed captioning requirements is warranted.

a. Nature and Cost of Closed Captioning.

Commission rules require captioning of 100% of nonexempt Spanish language programming.⁵ Practically all of the SBS’s programming is considered nonexempt. Closed captioning compliance would therefore amount to a minimum annual expense of at least \$250,000.⁶ Obviously, such an additional expenditure would constitute a significant expense, and an economic burden, on SBS.

SBS estimates the capital expenditures to purchase closed captioning equipment for its Miami and Puerto Rico television production studios would be approximately \$45,000. This estimate does not include the ongoing costs of hiring and maintaining personnel to operate the closed captioning equipment or the cost to caption old programming, which would likely be

³ 47 C.F.R. § 79.1(f)(2); *see also Interpretation of Economically Burdensome Standard*, 27 FCC Rcd 8831 (2012)

⁴ 47 C.F.R. § 79.1(f)(2).

⁵ 47 C.F.R. § 79.2(b)(3)(iv).

⁶ SBS received documented captioning quotes ranging from \$250,796 to \$449,540 annually. *See* Exhibit B. Additional expenses would be incurred for taping and for the provision of dedicated phone lines. Section 79.1(d)(11) of the Commission’s rules would allow SBS to limit closed captioning expenditures to 2% of gross channel revenues from the previous calendar year. For 2012, that amount would have been approximately \$408,814 based on gross revenue in its television operating segment. (2012 revenue numbers are used because SBS’s 2013 10-K has not yet been released).

outsourced to a third party provider. Moreover, automated captioning technology is generally considered inferior to human transcription and is often not usable, in particular for Spanish language programming. For this reason, SBS has not specifically calculated the personnel costs associated with captioning programming in-house.

b. Impact on SBS's Operations.

SBS has two reportable operating segments: radio and television. SBS's television operating segment has incurred significant losses over the past several years. As summarized in subsection (c) below, losses at the television operating segment have totaled more than \$109,000,000 for 2006-2012. SBS's television operations cannot absorb sizeable additional expenses without a significant negative impact on the production of Spanish-language programming and overall operations. If SBS incurred several hundred thousand dollars in additional expenses to caption its programming, the budget available for the production or acquisition of new primetime programming would be significantly reduced, and viewers of WSBS-TV, KTBU, and MEGA TV would suffer because the amount of new originally produced Spanish-language programming would decline. Moreover, given current financial constraints on the television operating segment, it is inevitable that other areas would need to be significantly cut in order to pay for captioning. Clearly, the additional hundreds of thousands of dollars it would cost to close caption its programming would constitute an undue burden upon SBS.

In addition to the negative impact summarized above, the SBS television operating segment is subject to restrictive operating covenants under its debt facility. Due to historical losses in the SBS television operating segment, when SBS refinanced its debt in 2012, its lender mandated a covenant that the television segment record positive consolidated station operating income on a going-forward basis. Specifically, the Senior Secured Notes Indenture dated as of

February 7, 2012 provides that if the television operating segment fails to record positive consolidated station operating income for specified periods, additional interest will be payable at a rate of 2.00% per annum. This covenant, known as the “television breakeven” penalty, in effect requires the television operating segment to break even or record positive operating income; otherwise, an annual interest penalty of over \$5,500,000 (2% of \$275,000,000) is assessed. Although the television operating segment successfully recorded positive consolidated station operating income for the last applicable period for which the restrictive covenant was in effect, if the operating segment incurred significant additional costs related to closed captioning, it would likely fail to maintain positive station operating income and the television operating segment would effectively be shut down. For this reason alone, an exemption from the closed captioning requirement is essential.

c. SBS’s Financial Resources.

As noted above, SBS has historically incurred losses from its television operations.

Specifically, losses incurred for 2006-2012 were:

2006	\$20,428,000
2007	\$12,717,000
2008	\$36,342,000
2009	\$16,045,000
2010	\$10,585,000
2011	\$ 8,595,000
2012	\$ 4,567,000 ⁷

Thus, losses from SBS’ television operations from 2006 through 2012 totaled over \$109,000,000. In addition, Consolidated Balance Sheets and Consolidated Statements of Operations and Comprehensive (Loss) Income for Years ended December 31, 2012 and 2011 are submitted as Exhibit C. The foregoing financial statements are from the Spanish Broadcasting

⁷ As previously noted, 2013 figures are not included because SBS’s 2013 10-K has not been released.

System, Inc. 10-K submitted for the fiscal year ended December 31, 2012 and reflect financial results of all SBS operating segments.

Clearly, with losses at this level, SBS's television operations cannot absorb sizeable additional expenses without a significant negative impact on the production of Spanish language programming and overall television station operations. As noted above, if SBS were to incur substantial additional expenses in closed captioning its programming, the television operating segment would be closed.

SBS has sent correspondence to each of the primary MVPDs that carry MEGA TV in the United States requesting closed captioning assistance. No MVPD has responded positively to this request. SBS has also conducted research on the possibility of obtaining grant funds to assist with closed captioning and has determined that the available grants are generally limited to providing captioning assistance for educational, not commercial, programming. SBS has offered sponsorship opportunities in support of captioning, but to date, no potential sponsor has accepted this opportunity.

d. The Type of Operations of SBS.

MEGA TV, together with its owned-and-operated stations WSBS-TV and KTBU, is a unique television company that focuses on entertainment, current events and variety with high-quality content. The programming is formatted to capture a larger share of the U.S. Hispanic audience, offering a new alternative compared to traditional Hispanic television channels. MEGA TV's programming is based on a strategy designed to showcase a combination of programs, ranging from televised radio-branded shows to general entertainment programs, such as music, celebrity, debate, interviews and personality based shows. MEGA TV produces over 91 hours of original programming each week. Launching a new Spanish-language television

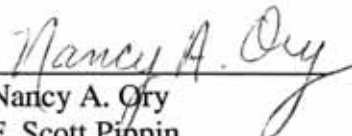
network has been a costly, multi-year process, and the MEGA TV operations have only recently reached break even status, as explained above.

III. Conclusion.

For the reasons set forth herein, SBS submits that, in accordance with the economically burdensome standard of the Commission's rules, SBS is entitled to an exemption from the closed captioning requirement.

Respectfully submitted,

Spanish Broadcasting System

By: 
Nancy A. Ory
F. Scott Pippin
Lerman Senter PLLC
2000 K Street, NW, Suite 600
Washington, DC 20006

March 24, 2014

Its Attorneys

DECLARATION

I, Joseph A. Garcia, declare the following:

1. I am Senior Executive Vice President of WSBS Licensing, Inc., KTBU Licensing, Inc. and Mega Media Holdings, Inc.
2. I have reviewed the foregoing Petition for Exemption of Closed Captioning Requirement filed on behalf of WSBS Licensing, Inc., KTBU Licensing, Inc. and Mega Media Holdings, Inc., including the financial statements for Fiscal Years ending 2011 and 2012 for the entities/ parent company, Spanish Broadcasting System, Inc. All information and statements contained in the Petition are true and correct to the best of my knowledge and belief.
3. SBS has sent correspondence to the multichannel video programming distributors that carry the MEGA TV network in the United States requesting closed captioning assistance, and no assistance has been provided.
4. SBS has offered captioning sponsorships to potential advertisers, but no such offers have been accepted.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on March 20, 2014.

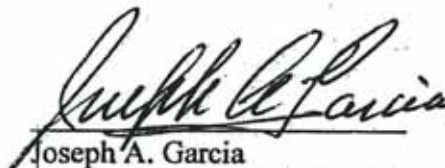

Joseph A. Garcia
Senior Executive Vice President
WSBS Licensing, Inc.
KTBU Licensing, Inc.
Mega Media Holdings, Inc.

Exhibit A – Programming Grids

WSBS GRID - MARCH 2014

EST	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY	EST
6:30		Antena Live (RR)				PAID PROGRAMMING	PAID PROGRAMMING	6:30
7:00								7:00
7:30		En Contacto (INFOMERCIAL)				Mega Kids	Mega Kids	7:30
8:00								8:00
8:30						Cayo Hueso		8:30
9:00						Vámonos de Viaje		9:00
10:00								10:00
11:00								11:00
12:00								12:00
12:30								12:30
1:00								1:00
1:30								1:30
2:00								2:00
3:00								3:00
3:30								3:30
4:00								4:00
4:30								4:30
5:00								5:00
5:30								5:30
6:00								6:00
6:30								6:30
7:00								7:00
7:30								7:30
8:00								8:00
8:30								8:30
9:00								9:00
9:30								9:30
10:00								10:00
10:30								10:30
11:00								11:00
11:30								11:30
12:00								12:00
12:30 AM								12:30 AM

Week of March 3rd 24th thru March 9th of 2014

HOUSTON GRID- MARCH 2014

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday			
CT								CT		
6:00	PAID PROGRAMMING					PAID PROGRAMMING		6:00		
6:30								6:30		
7:00						<i>Mega Kids</i>		7:00		
7:30						<i>Mega Kids</i>		7:30		
8:00						<i>Mega Kids</i>		8:00		
8:30						PAID PROGRAMMING		8:30		
9:00								9:00		
9:30								9:30		
10:00								10:00		
10:30								10:30		
11:00								11:00		
11:30								11:30		
12:00								12:00		
12:30								12:30		
1:00								1:00		
1:30								1:30		
2:00	<i>Charytin & Felipe El Show (RR)</i>							2:00		
2:30								2:30		
3:00	<i>Mi Prima Ciela</i>							3:00		
3:30								3:30		
4:00	<i>Mi Gorda Bella</i>							4:00		
4:30								4:30		
5:00								<i>Mega Cine</i>	<i>Mega Cine</i>	5:00
5:30										5:30
6:00	<i>Paparazzi TV</i>							6:00		
6:30								6:30		
7:00	<i>Ahora con Oscar Haza</i>					<i>Puerta Astral</i>	<i>Latin Angels</i>	7:00		
7:30								7:30		
8:00	<i>Charytin & Felipe El Show</i>					<i>LMD Charytin & Felipe El Show</i>	<i>Paparazzi sin Censura</i>	8:00		
8:30								8:30		
9:00	<i>Bayly</i>					<i>Latin Angels (RR)</i>	<i>Lo Mejor de Radio en Mega TV</i>	9:00		
9:30								9:30		
10:00	<i>Portada</i>					<i>LMD Bayly</i>	<i>LMD Oscar Haza</i>	10:00		
10:30	PAID PROGRAMMING							10:30		
11:00								11:00		
11:30								11:30		
12:00								12:00		
12:30								12:30		
1:00								1:00		
1:30								1:30		
2:00								2:00		
2:30								2:30		
3:00								3:00		
3:30								3:30		
4:00								4:00		
4:30								4:30		
5:00								5:00		
5:30	5:30									

Week of March 3rd thru March 9th of 2014

PROGRAMMING IS SUBJECT TO CHANGE WITHOUT PRIOR NOTICE

PUERTO RICO GRID MARCH - 2014

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	PRT
6:00	Radio en Televisión - El Circo de Puerto Rico					Mega Kids		6:00
6:30						Mega Kids		6:30
7:00						Mega Kids		7:00
7:30						PAID PROGRAMMING		7:30
8:00								8:00
8:30								8:30
9:00								9:00
9:30								9:30
10:00	Radio en Televisión - El Vacilón de Nueva York					PAID PROGRAMMING		10:00
10:30								10:30
11:00								11:00
11:30								11:30
12:00	Charytin & Felipe El Show (RR)					PAID PROGRAMMING		12:00
12:30								12:30
1:00	Radio en Televisión - El Circo de Puerto Rico (RR)					Mega Kids		1:00
1:30								1:30
2:00						Mega Kids		2:00
2:30						Mega Kids		2:30
3:00						ESPN Deportes (Big Fights)	ESPN Deportes (Big Fights)	3:00
3:30								3:30
4:00						Mega Sports	ESPN Deportes (Torneos)	4:00
4:30						ESPN Deportes (Perfiles)		4:30
5:00	Mi Prima Ciela					Mega Cine	Mega Cine	5:00
5:30								5:30
6:00	Mi Gorda Bella					Puerta Astral	Latin Angels	6:00
6:30								6:30
7:00						Puerta Astral	Latin Angels	7:00
7:30								7:30
8:00	Paparazzi TV					LMD Charytin & Felipe El Show	Paparazzi sin Censura	8:00
8:30								8:30
9:00	Ahora con Oscar Haza					Latin Angels (RR)	Lo Mejor de Radio en Mega TV	9:00
9:30								9:30
10:00	Charytin & Felipe El Show					LMD Bayly	LMD Ahora con Oscar Haza	10:00
10:30								10:30
11:00	Bayly					Mega Cine (RR)	Mega Cine (RR)	11:00
11:30								11:30
12:00	Paparazzi TV (RR)					Mega Cine (RR)	Mega Cine (RR)	12:00
12:30								12:30
1:00	Ahora con Oscar Haza (RR)					Puerta Astral (RR)	Latin Angels (RR)	1:00
1:30								1:30
2:00	PAID PROGRAMMING					LMD Charytin & Felipe El Show	Lo Mejor de Radio en Mega TV (RR)	2:00
2:30								2:30
3:00						LMD Bayly (RR)	Paparazzi sin Censura (RR)	3:00
3:30								3:30
4:00	Bayly (RR)					ESPN Deportes (Big Fights)	LMD Ahora con Oscar Haza	4:00
4:30								4:30
5:00	Mi Prima Ciela (RR)					Mega Sports	ESPN Deportes (Torneos)	5:00
5:30						ESPN Deportes (Perfiles)		5:30

Week of March 3rd thru March 9th of 2014

NATIONAL GRID -MARCH 2014

PT	MT	CT	EST	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	EST	CT	MT	PT														
3:00	4:00	5:00	6:00	Radio en Televisión - El Circo de Puerto Rico	PAID PROGRAMMING						6:00	5:00	4:00	3:00														
3:30	4:30	5:30	6:30								6:30	5:30	4:30	3:30														
4:00	5:00	6:00	7:00								7:00	6:00	5:00	4:00														
4:30	5:30	6:30	7:30								7:30	6:30	5:30	4:30														
5:00	6:00	7:00	8:00								8:00	7:00	6:00	5:00														
5:30	6:30	7:30	8:30								8:30	7:30	6:30	5:30														
6:00	7:00	8:00	9:00	Radio en Televisión: El Vacilón de la Mañana de Los Angeles													9:00	8:00	7:00	6:00								
6:30	7:30	8:30	9:30														9:30	8:30	7:30	6:30								
7:00	8:00	9:00	10:00														10:00	9:00	8:00	7:00								
7:30	8:30	9:30	10:30														10:30	9:30	8:30	7:30								
8:00	9:00	10:00	11:00														11:00	10:00	9:00	8:00								
8:30	9:30	10:30	11:30														11:30	10:30	9:30	8:30								
9:00	10:00	11:00	12:00	Radio en Televisión - El Vacilón de Nueva York																			12:00	11:00	10:00	9:00		
9:30	10:30	11:30	12:30																				12:30	11:30	10:30	9:30		
10:00	11:00	12:00	1:00																				1:00	12:00	11:00	10:00		
10:30	11:30	12:30	1:30																				Mega Kids	1:30	12:30	11:30	10:30	
11:00	12:00	1:00	2:00																				Mega Kids	2:00	1:00	12:00	11:00	
11:30	12:30	1:30	2:30																				Mega Kids	2:30	1:30	12:30	11:30	
12:00	1:00	2:00	3:00	Mi Gorda Bella (RR)																			Cayo Hueso Al Día	El Show de Nancy	3:00	2:00	1:00	12:00
12:30	1:30	2:30	3:30																				Vámonos de Viaje		3:30	2:30	1:30	12:30
1:00	2:00	3:00	4:00		Mi Prima Ciela	ESPN Deportes (Big Fights)	ESPN Deportes (Big Fights)	4:00	3:00	2:00													1:00					
1:30	2:30	3:30	4:30				4:30	3:30	2:30	1:30																		
2:00	3:00	4:00	5:00	Mi Gorda Bella		Mega Sports	ESPN Deportes (Torneos)	5:00	4:00	3:00													2:00					
2:30	3:30	4:30	5:30		ESPN Deportes (Perfiles)	5:30		4:30	3:30	2:30																		
3:00	4:00	5:00	6:00		Paparazzi TV	Mega Cine	Mega Cine	6:00	5:00	4:00													3:00					
3:30	4:30	5:30	6:30	6:30				5:30	4:30	3:30																		
4:00	5:00	6:00	7:00	7:00				6:00	5:00	4:00																		
4:30	5:30	6:30	7:30	Ahora con Oscar Haza	Puerta Astral	Latin Angels	7:30	6:30	5:30	4:30																		
5:00	6:00	7:00	8:00				8:00	7:00	6:00	5:00																		
5:30	6:30	7:30	8:30				8:30	7:30	6:30	5:30																		
6:00	7:00	8:00	9:00	Charytin & Felipe El Show	LMD Charytin & Felipe El Show	Paparazzi sin Censura	9:00	8:00	7:00	6:00																		
6:30	7:30	8:30	9:30				9:30	8:30	7:30	6:30																		
7:00	8:00	9:00	10:00	Bayly	Latin Angels (RR)	Al Ritmo de Esta Noche tu Night	10:00	9:00	8:00	7:00																		
7:30	8:30	9:30	10:30				10:30	9:30	8:30	7:30																		
8:00	9:00	10:00	11:00	Paparazzi TV (RR)	LMD Ahora con Oscar Haza	Lo Mejor de Radio en Mega TV	11:00	10:00	9:00	8:00																		
8:30	9:30	10:30	11:30				11:30	10:30	9:30	8:30																		
9:00	10:00	11:00	12:00	Charytin & Felipe El Show (RR)	Mega Cine (RR)	Mega Cine (RR)	12:00	11:00	10:00	9:00																		
9:30	10:30	11:30	12:30				12:30	11:30	10:30	9:30																		
10:00	11:00	12:00	1:00	Bayly (RR)			1:00	12:00	11:00	10:00																		
10:30	11:30	12:30	1:30				1:30	12:30	11:30	10:30																		
11:00	12:00	1:00	2:00	La Corte del Pueblo	Puerta Astral (RR)	Paparazzi sin Censura (RR)	2:00	1:00	12:00	11:00																		
11:30	12:30	1:30	2:30				2:30	1:30	12:30	11:30																		
12:00	1:00	2:00	3:00	Raíces y Recuerdos	LMD Charytin & Felipe El Show (RR)	Al Ritmo de Esta Noche tu Night (RR)	3:00	2:00	1:00	12:00																		
12:30	1:30	2:30	3:30				3:30	2:30	1:30	12:30																		
1:00	2:00	3:00	4:00	Ahora con Oscar Haza (RR)	LMD Ahora con Oscar Haza (RR)	Lo Mejor de Radio en Mega TV (RR)	4:00	3:00	2:00	1:00																		
1:30	2:30	3:30	4:30				4:30	3:30	2:30	1:30																		
2:00	3:00	4:00	5:00	Mi Prima Ciela (RR)	PAID PROGRAMMING		5:00	4:00	3:00	2:00																		
2:30	3:30	4:30	5:30				5:30	4:30	3:30	2:30																		

Week of March 10th thru March 16th of 2014

Exhibit C – Balance Sheets and Consolidated Statements of Operation 2011 and 2012

**SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2012 and 2011

(In thousands, except share data)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,660	71,266
Receivables:		
Trade	27,638	24,014
Barter	377	627
	28,015	24,641
Less allowance for doubtful accounts	1,592	844
Net receivables	26,423	23,797
Prepaid expenses and other current assets	2,161	4,354
Total current assets	55,244	99,417
Property and equipment, net	38,014	41,743
FCC broadcasting licenses	323,055	323,055
Goodwill	32,806	32,806
Other intangible assets, net of accumulated amortization of \$642 in 2012 and \$380 in 2011	1,906	2,168
Deferred financing costs, net of accumulated amortization of \$3,015 in 2012 and \$7,137 in 2011	14,601	465
Other assets	1,792	1,858
Total assets	<u>\$ 467,418</u>	<u>501,512</u>
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	\$ 16,275	16,783
Accrued interest	7,339	280
Unearned revenues	527	914
Other liabilities	669	795
Current portion of the senior credit facility term loan due 2012	—	36,313
Current portion of other long-term debt	3,009	3,039
Series B cumulative exchangeable redeemable preferred stock dividends payable	29,369	21,923
Total current liabilities	57,188	80,047
Other liabilities, less current portions:	802	603
Derivative instruments	816	740
Senior credit facility term loan due 2012, less current portions	267,806	266,750
Other long-term debt, less current portion	8,262	11,271
Deferred income taxes	86,049	84,368
Total liabilities	420,923	443,779
Commitments and contingencies (notes 13, 15, and 17)		
Cumulative exchangeable redeemable preferred stock:		
10 3/4% Series B cumulative exchangeable redeemable preferred stock, \$0.01 par value; liquidation value \$1,000 per share; Authorized 280,000 shares; 92,349 shares issued and outstanding at December 31, 2012 and 2011, respectively	92,349	92,349
Stockholders' deficit:		
Series C convertible preferred stock, \$0.01 par value and liquidation value. Authorized 600,000 shares; 380,000 shares issued and outstanding at December 31, 2012 and 2011, respectively	4	4
Class A common stock, \$0.0001 par value. Authorized 100,000,000 shares; 4,166,991 shares issued and outstanding at December 31, 2012 and 2011, respectively	—	—
Class B common stock, \$0.0001 par value; Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at December 31, 2012 and 2011, respectively	—	—
Additional paid-in capital	525,281	525,235
Accumulated other comprehensive loss, net	(816)	(740)
Accumulated deficit	(570,323)	(559,115)
Total stockholders' deficit	(45,854)	(34,616)
Total liabilities and stockholders' deficit	<u>\$ 467,418</u>	<u>501,512</u>

See accompanying notes to consolidated financial statements.

**SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Statements of Operations and Comprehensive (Loss) Income

Years ended December 31, 2012 and 2011

(In thousands, except share data)

	2012	2011
Net revenue	\$139,522	140,984
Operating expenses:		
Engineering and programming	31,245	37,481
Selling, general and administrative	57,629	52,433
Corporate expenses	7,507	7,247
Depreciation and amortization	5,464	5,436
Total operating expenses	101,845	102,597
Gain on the disposal of assets	(15)	(10)
Impairment charges and restructuring costs	442	207
Operating income	37,250	38,190
Other (expense) income:		
Interest expense	(36,555)	(8,217)
Interest income	12	35
Loss on early extinguishment of debt	(391)	—
(Loss) income before income taxes	316	30,008
Income tax expense	1,597	6,306
Net (loss) income	(1,281)	23,702
Dividends on Series B preferred stock	(9,927)	(9,927)
Net (loss) income available to common stockholders	\$ (11,208)	13,775
Basic net (loss) income per common share	\$ (1.54)	1.90
Diluted net (loss) income per common share	(1.54)	1.89
Weighted average common shares outstanding:		
Basic	7,267	7,267
Diluted	7,267	7,278
Net (loss) income	(1,281)	23,702
Other comprehensive (loss) income, net of taxes- unrealized gain (loss) on derivative instrument	(76)	89
Total comprehensive (loss) income	(1,357)	23,791

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Deficit

Years ended December 31, 2012 and 2011

(In thousands, except share data)

	Class C preferred stock		Class A common stock		Class B common stock		Additional paid-in capital	Accumulated other comprehensive loss, net	Accumulated deficit	Total stockholders' deficit
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value				
Balance at December 31, 2010	380,000	\$ 4	4,163,991	\$ —	2,340,353	\$ —	525,205	(829)	(572,890)	(48,510)
Issuance of Class A common stock from vesting of restricted stock	—	—	3,000	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	30	—	—	30
Series B preferred stock dividends	—	—	—	—	—	—	—	—	(9,927)	(9,927)
Comprehensive income:										
Net income	—	—	—	—	—	—	—	—	23,702	23,702
Unrealized gain on derivative instruments	—	—	—	—	—	—	—	89	—	89
Balance at December 31, 2011	380,000	4	4,166,991	—	2,340,353	—	525,235	(740)	(559,115)	(34,616)
Stock-based compensation	—	—	—	—	—	—	46	—	—	46
Series B preferred stock dividends	—	—	—	—	—	—	—	—	(9,927)	(9,927)
Comprehensive loss:										
Net loss	—	—	—	—	—	—	—	—	(1,281)	(1,281)
Unrealized loss on derivative instruments	—	—	—	—	—	—	—	(76)	—	(76)
Balance at December 31, 2012	380,000	\$ 4	4,166,991	\$ —	2,340,353	\$ —	525,281	(816)	(570,323)	(45,854)

See accompanying notes to consolidated financial statements.

**SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years ended December 31, 2012 and 2011

(In thousands, except share data)

	2012	2011
Cash flows from operating activities:		
Net (loss) income	\$ (1,281)	23,702
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Gain on the disposal of assets	(15)	(10)
Impairment charges and restructuring costs	379	207
Stock-based compensation	46	30
Depreciation and amortization	5,464	5,436
Net barter income	(388)	(487)
Provision for trade doubtful accounts	1,091	801
Loss on early extinguishment of debt	391	—
Amortization of deferred financing costs	3,122	1,049
Amortization of original issued discount	1,056	—
Deferred income taxes	1,681	6,121
Unearned revenue-barter	147	528
Changes in operating assets and liabilities:		
Trade receivables	(3,967)	1,690
Prepaid expenses and other current assets	299	(1,135)
Other assets	66	309
Accounts payable and accrued expenses	(400)	(908)
Accrued interest	7,059	(3,777)
Other liabilities	(187)	(544)
Net cash provided by operating activities	14,563	33,012
Cash flows from investing activities:		
Purchases of property and equipment	(1,591)	(2,735)
Proceeds from the sale of property and equipment	10	37
Acquisition of a television station and related equipment	—	(8,000)
Net cash used in investing activities	(1,581)	(10,698)
Cash flows from financing activities:		
Proceeds from 12.5% senior secured notes due 2017	266,750	—
Payment of financing costs	(15,755)	—
Payment of senior credit facility term loan 2012	(303,063)	(3,250)
Payment of Series B preferred stock cash dividends	(2,481)	(2,482)
Payments of other long-term debt	(3,039)	(456)
Net cash used in financing activities	(57,588)	(6,188)
Net (decrease) increase in cash and cash equivalents	(44,606)	16,126
Cash and cash equivalents at beginning of year	71,266	55,140
Cash and cash equivalents at end of year	\$ 26,660	\$ 71,266
Supplemental cash flows information:		
Interest paid	\$ 25,238	10,881
Income tax paid, net	\$ 298	8
Noncash investing and financing activities:		
Transfer of prepaid expenses and other current assets to deferred financing costs	\$ (1,861)	—
Promissory note issued for the acquisition of a television station and related equipment	\$ —	8,000
Unrealized (loss) gain on derivative instruments	\$ (76)	89
Accrual of Series B preferred stock dividends not declared	\$ 7,446	7,445

See accompanying notes to consolidated financial statements.